

1. This cable describes certain changes in procedure involving non-official cover personnel who are administered by the Administrative Allowance Committee. It does not apply to NOC personnel not repeat not administered by the Committee.

2. In 1971-72, as a result of increasing inflationary pressures, Headquarters initiated a careful review of the administrative allowances of NOC personnel to assure that the allowances, when converted into foreign currencies, fairly compensated the employees for expenses the allowances were intended to cover. The problem came into sharp focus in February 1973 with the official devaluation of the dollar, and there were upward revisions of the allowances in February and July of that year.

3. In certain foreign countries the foreign exchange trends have now been reversed and the purchasing power of the dollar has improved. In any foreign area where the change has been 5% or more since September 1973, the administrative allowances will be adjusted to reflect the change. This adjustment will be effective for the pay period which begins 28 April 1974. In no case will an individual allowance be reduced below the level at which it was established before the increases in 1973. In addition, allowances established by the Committee after September 1973 will be presumed to be based on current cost factors and will not be adjusted at this time. Allowances for official cover personnel have already been revised downward in most of these areas.

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4. In the past, Headquarters has reviewed the allowance with each NOC employee during his home leave, which resulted in a review once every two years. Experience has shown that, in an inflationary period, this is not frequent enough, and allowance levels have generally lagged behind the cost increases. To avoid this, Headquarters has now established a procedure whereby the Allowance Committee will review all administrative allowances on an annual basis, and automatically adjust the equalization increment to a recomputed figure on the basis of current cost-of-living indices. The equalization increment is based on the Department of State's local index, and, in this Division, the annual review will be in _____. However, we emphasize that this does not change the basic concept of the single, non-accountable, non-taxable allowance described in Book Dispatch _____. The fundamental change is that Headquarters will now review and adjust the allowance annually rather than between tours.

5. You will be advised by a separate cable when individual adjustments to NOC allowances are made. We believe that the current procedures will be more responsive to NOC administration and will avoid the lag previously experienced in adjusting the living allowances.